



SMALL, MINORITY, AND WOMEN-OWNED BUSINESS INVESTMENT ACCOUNT-
VIDEO LOTTERY TERMINAL (VLT)

Submitted by
The Maryland Department of Business and Economic Development (DBED)

December 2012

Background

During the 2007 special session, the General Assembly enacted legislation to license video lottery terminal (VLT) gaming in Maryland contingent on the legislation being ratified by the voters of the State. In the November 2008 general election, the voters of Maryland ratified a constitutional amendment authorizing VLTs in the State. As a result of the ratification of the constitutional amendment, the Small, Minority, and Women-Owned Businesses Account (Account) was established; the legislation creating the Account was similarly enacted during the 2007 special session.

State Law generally requires that 1.5 percent of VLT proceeds be paid into the Account, which is a special, non-lapsing fund administered by the Comptroller of Maryland under the authority of the Board of Public Works (BPW). State Law specifies that the Account is to be used by the BPW to make grants to eligible fund managers to provide investment capital and loans to small, minority, and women-owned businesses in the State, of which at least 50 percent must be allocated to such businesses in the jurisdictions and communities surrounding a video lottery facility. BPW is responsible for ensuring that the fund managers allocate the funds in accordance with the State law.

Licenses have been awarded to operate VLT casinos in Cecil, Worcester, Anne Arundel, and Allegany Counties and Baltimore City. The casinos in Cecil, Worcester, and Anne Arundel Counties began VLT gaming operations on September 27, 2010, January 4, 2011, and Jun 6, 2012, respectively. VLT gaming operations have not begun in Allegany County and Baltimore City. Additionally, on November 6, 2012 the voter's approved Question 7 to expand gaming to include the proposed destination resort casino at National Harbor in Prince Georges County. Passage of the law also allows live table gaming however, these proceeds are not shared with the VLT Account.

Since inception through June 30, 2012, the Small, Minority, and Women-Owned Businesses Account has been properly credited with 1.5 percent of VLT proceeds as specified by law. The Account began receiving funds during fiscal year 2011 when the first VLT facility began gaming operations.

A transfer of \$1,867,000 from the Account to the Education Trust Fund was made on June 1, 2012. This transfer was authorized by the enactment of Chapter 1, Laws of Maryland, 2012 Special Session 1 (Budget Reconciliation and Financing Act of 2012).

A summary of Account activity through June 30, 2012, according to the Comptroller's accounting records is presented below.

Summary of Account Activity Fiscal Years 2011 to Fiscal Year 2013 (11/30/12)	
Fiscal Year 2011 Receipts	\$1,546,992
Fiscal Year 2012 Receipts	\$2,926,396
Transfer to Education Trust Fund –June 1, 2012	(\$1,867,000)

Fiscal Year 2013 Receipts (to date 11/30/12)	\$3,274,957
BALANCE	\$5,881,345

The rate of monthly deposits to the Account has increased to \$600,000 since the opening of Anne Arundel County's Maryland Live resulting in a projected \$7,200,000 annually. This will increase as the three new locations are opened.

Explanation for Delays

While there were numerous delays between all parties of the BPW workgroup, a final Memo of Understanding was approved by BPW on 8/22/12 delegating administration of the program to the Department of Business and Economic Development (DBED). Accordingly, on 9/10/12 DBED distributed a draft Request for Proposal (RFP) to the BPW workgroup for comments and a 9/19/12 meeting. This meeting seemed to result in general acceptance of the RFP subject to various outstanding issues, the most significant being that local jurisdictions would not be allowed to determine the Target Areas for the 50% of the Fund to be used in areas surrounding the Video Lottery Terminal Facility. Workgroup representatives for the Comptroller's Office and Treasury required DBED to determine these areas subject to their approval. On 9/26/12 DBED distributed a revised draft addressing the issues to date. As the workgroup continued to work with stakeholders new issues were brought to the workgroup's attention, the most significant being;

1. Definition on small, minority, and women owned businesses as Minority Business Enterprises.
2. Expanding the definition of small business to be the U.S. Small Business Administration limitation of up to 500 employees and revenues of up to \$35 million averaged over three years.
3. Determining the frequency of the Request for Proposals and Funding Awards. Given the now rapid Account build up, it is agreed to be done annually.
4. Developing the methodology and maps for the Targeted Areas in which 50% of the Account must be used. This is now agreed to be a 5 mile radius (plus zip code extensions) surrounding the three existing Facilities. These areas will be further developed for the three new Facilities.
5. Requiring a 10% MBE subcontractor participation goal for the Fund Managers.

DBED has revised the RFP to satisfy all known issues and obtained final approval of the workgroup on 12/14/12.

Steps Taken to Implement the Program

VLT-Fund Managers Video Lottery Terminal Small, Minority and Woman-Owned

Business Account RFP#T00R3401379

Procurement Timeline

<u>DATES</u>	<u>ACTIVITY</u>	<u>PROPOSED COMPLETION</u>
	1. MOU approved by BPW	1. 8/22/12
	2. RFP approved by DBED/ GOMA/BPW Staff	2. 12/11/12
	3. Solicitation sent directly to prospective firms and advertised on eMM	3. 12/14/12
	4. Pre-Proposal Conference held at DBED	4. 12/21/12
	5. Deadline for Offeror questions to Procurement Officer	5. 1/7/13
	6. Receipt of Proposals from Offerors	6. 1/15/13
	7. DBED Evaluation Committee meeting to review evaluation instructions & distribute proposals for evaluation	7. 1/16/13
	8. Meeting of DBED Evaluation Committee to discuss all proposals	8. 1/25/13
	9. Clarification Questions sent to Offerors after committee meeting	9. 1/28/13
	10. Clarification Responses due back from Offerors	10. 2/1/13
	11. Clarification Responses sent to Evaluation Committee for review	11. 2/5/13
	12. Meeting with DBED Evaluation Committee for proposal clarification discussion, ranking proposals and scheduling Oral Presentations	12. 2/8/13
	13. Invitations for Oral Presentations sent to selected Offerors	13. 2/13/13
	14. Oral Presentations held at DBED with Evaluation Committee (est.2 days)	14. 2/21-22
	15. DBED Evaluation Committee ranks Offeror proposals after Orals	15. 2/22/13
	16. DBED sends final evaluation report to Mary Jo Childs for BPW staff acceptance report includes procurement summary, final Offeror rankings and DBED's award recommendations	16. 2/26/13
	17. BPW staff representatives approve DBED's report	17. 2/28/13

18. Grant Agreements sent to awarded firms for signature	18. 2/29/13
19. Grant Agreements received back from awarded firms	19. 3/6/13
20. DBED submits an Action Agenda item for BPW approval	20. 3/11/13
21. March BPW meeting held for final contract approval	21. 3/20/13
22. After BPW approval remaining contract approvals secured at DBED	22. 3/22/13
23. Fully ratified contracts sent back to awarded Fund Managers	23. 3/25/13
24. Kick off meeting held with DBED and designated BPW/GOMA officials	24. 3/30/13
25. Proposed contract start date	25. 4/1/13

Timeline For Implementation see above